
GOV-WADE

**External Project Review and
Development of Strategic
Elements for Future
Decentralisation and Local
Governance Initiatives**

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Abbreviations and Acronyms

AMC	Association of municipalities and cities
BiH	Bosnia and Herzegovina
CIP	Capital Investment Plan
CS	Country Strategy
DLG	Decentralisation and Local Governance
DLGN	Decentralisation and Local Governance Network
DPA	Dayton Peace Accord
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
FBiH	Federation of BiH
GAP	Governance Accountability Project
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GOV-WADE	Governance Project in Water and Environmental Development
ILDp	Integrated Local Development Project
IMC	Inter-municipal cooperation
IPA	Instrument for Pre-Accession
MDP	Municipal Development Project in BiH (funded by SDC)
MZ	Mjesna zajednica (Local Community – a village or town quarter level of local self-governance)
ORF	Open Regional Funds South-East Europe
OSCE	Organization of Security and Cooperation in Europe
ORIO	Facility for Infrastructure Development (NL)
OSF	Open Society Foundation in BiH
PFU	Project Facilitation Unit
PRB	Project Review Board of GOV-WADE
RS	Republika Srpska
SCO	Swiss Cooperation Office
SDC	Swiss Agency for Development and Cooperation
Seco	Swiss Secretariat for Economic Affairs
Sida	Swedish International Development Cooperation Agency
SLS	Strengthening of Local Self-government in BiH
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WB	World Bank
WES	Water and Environmental Sanitation

Executive Summary

Background, methodology and context

One of SDC's local governance initiatives in Bosnia and Herzegovina (BiH) is the Governance Project in Municipal Water and Environmental Development (GOV-WADE). The project was launched in 2006 and will come to an end in 2013. The objective of the review was twofold: On the one hand, the progress of GOV-WADE had to be assessed based on a self-assessment of the project team. On the other hand, the review was meant to provide SDC with strategic elements for decision making on future "more systemic" DLG endeavours in the frame of the new SDC BiH Country Strategy.

The external review was based on the following methodological elements:

- Desk review of relevant documents;
- Interviews with project stakeholders and DLG actors in the country;
- Validation of intermediary results in the frame of a workshop with the project team, LGD actors, SDC and other donors.

The project operates in a very complex environment with the country being split into two deeply divided political entities – the Republika Srpska and the Federation of Bosnia and Herzegovina. The transition processes is still in its infancy and will take decades to be consolidated. Post Dayton Peace Accord municipal governance is still young and the regulatory framework is still in the progress of being developed.

Assessment of GOV-WADE

Relevance: The project's focus on increasing capacities of local governments and civil society in improving practice in governance responds to one of the most important needs of a country which finds itself in transition and which is in the process of establishing state structures and democratic processes. The project is also highly relevant in regard to supporting improvement of municipal service delivery which is still very weak. Furthermore, it is pertinent that the project contributes to improving the regulatory framework governing municipal governance.

Effectiveness: The project contributed to improving institutional arrangements within partner municipalities and the canton of Una

Sana by introducing specific Water and Environmental Sanitation (WES) departments within their administration. This has led to improved communication and stronger involvement of the administration in the management of its WES utility. The project has further enabled the municipalities to adopt a strategic planning methodology for WES related public services, which involves all democratic actors in the municipality. Municipal WES service delivery has significantly improved in partner municipalities. In regard to inter-municipal cooperation the project contributed to municipalities and the canton of Una Sana to adopt a regional approach to solid waste management by establishing an inter-municipal cooperation. The partner municipalities further have become a driving force for introducing changes in the regulatory framework. Improvements were achieved in laws governing the allocation of fiscal transfers as well as in laws related to the division of functions. The project also introduced a number of informal networks transcending entity boundaries and hierarchies, which contribute to finding solutions to different challenges. A specific objective of the project is also that Una Consulting, which manages the Project Facilitation Unit (PFU), develops into a economically viable consultancy firm. While Una Consulting has been successful in acquiring different mandates it still depends to a large extent on the mandate of SDC for managing the PFU.

Implementation: The project is managed by a traditional PFU. This is seen to be appropriate since GOV-WADE is an inter-entity project and requires a non-entity specific body to facilitate its implementation. The PFU has established strong relationships and trust with the partner municipalities, which was an important pre-condition for achieving results.

Recommendations regarding GOV-WADE

The following are some of the main recommendations for the remaining period of project implementation:

- Experiences need to be documented, disseminated and capitalised.
- Introduced governance processes need to be institutionalised.

- PFU should get engaged in the overall decentralisation and local governance arena to promote good practices.
- Potential for continuation of established networks should be assessed.
- Identified change agents and local expertise should be purposefully engaged to secure dissemination of experiences.

Major achievements and lessons learnt of GOV-WADE to consider for future SDC DLG endeavours

The following achievements and lessons learnt are recommended to be considered for future SDC DLG initiatives:

- Fostering of institutional and procedural changes in different municipal service domains beyond WES.
- Need to work with all democratic actors on concrete issues and processes.
- Work within existing structures and continue with on-system financing.
- Supporting the implementation of infrastructure projects can serve as a good vehicle to trigger democratic changes.
- Policy development processes require time.

Proposed strategic elements for future SDC DLG endeavours at municipal level

In order to decide on how to best impact municipal governance in BiH one has to understand what the core elements of municipal governance in BiH are. They can be described as consisting of (i) the public policy and management cycle and (ii) the interrelated dimensions of democratic actors, public services and thematic sectors. It is crucial for a municipal governance support project to attempt to work on all steps of the public policy and management cycle, which includes issues like setting policies and conducting planning, implementation and monitoring and accounting. Apart from that, all interrelated dimensions of democratic actors, public service and thematic sectors have to be addressed.

Focus on executive, or executive and legislative: Working within the public policy and management cycle entails engagement in democratic processes which has to involve all democratic actors. These are broadly the municipal administration and council and the public. The municipal administration with the Mayor as its head remains the driving force for changes at municipal level and should remain

the entry point for Swiss municipal support projects.

Sector focus – yes or no? In the terminology of BiH thematic sectors relate to economic, social and environmental development. Municipal public services refer to issues like water supply, sanitation, local roads, public libraries etc. The municipalities are organised along services, which are interlinked with the three development sectors. The question is therefore, whether a specific service approach may be suitable to best impact all elements of municipal governance. There are three options: The first is the current approach of GOV-WADE which is limited to working with a specific service domain. The limitation of this approach is a compartmentalised view of municipal governance and limited impact on other important municipal services. The second is a general governance focus which bears the risk that a project stays at the abstract level of the public policy and management cycle and may not be in a position to work through the whole cycle based on a specific example. Addressing public service and regulatory improvements is also challenging since capacities of a project are limited to provide in-depth expertise in the whole range of municipal services. The third option is to choose a specific service as an entry point to have an effect on the whole public policy and management cycle, all democratic actors, all sectors and services. This option combines the advantages of the above mentioned approaches while reducing their limitations. The idea of such an approach is that a specific service is chosen as an entry point but that improvements in other public services would also be actively supported.

Moving towards a more on-system financial support for municipalities: There seems to be a considerable need to improve the current practices of allocation of revenue to the different tiers of government. Experiences have shown how municipalities can advocate and influence changes in the transfer system –specifically in regard to introducing a formula-based allocation system opposed to discretionary practices which still exist. Influencing inter-governmental transfer systems by channelling project funds through these systems seems to be limited. In the future direct on-municipal budget support could be provided based on performance criteria and not

limited to the specific service which is chosen as an entry-point.

Choice of eligible municipalities: Different criteria have to be applied while choosing municipalities to work with. Important criteria are the leadership of the Mayor, their link to the Association of Municipalities and Cities (AMC) and high level government, power-relations and the scope for critical mass and voice to impact the policy level.

Vertical integration and the role of associations of municipalities and cities: The core role of the AMC is to represent the interest of their members vis-à-vis the higher level governments. A prerequisite for successful representation of members' interests is that associations build on the technical and political knowledge of their members. Both AMCs of BiH are perceived to have low capacities. Regardless of this, it is important that they play a key role in any of SDC's municipal governance support projects. This can take place either through providing the AMCs with a specific mandate within a Swiss municipal governance support project to support its members in their advocacy work or through engaging AMCs in very specific advocacy issues that have priority for its members.

Project implementation structure and role: From a system-perspective associations of local governments would be well-placed to manage a municipal governance support project. However, the context of BiH and the current capacities of the AMCs, do not favour such a mechanism. Therefore, and since SDC always works across entity-boundaries, a PFU may also in the future be the most suitable setup for providing facilitation support to a municipal support project.

1 Background and methodology

1.1 Background to the review

The Swiss Agency for Development and Cooperation (SDC) has been supporting local governance in Bosnia and Herzegovina (BiH) for many years. One of its initiatives is the Governance Project in Municipal Water and Environmental Development (GOV-WADE). It was launched in 2006 and is currently in its third and final phase, which will end in December 2013. The project's overall development goal is "to increase capacities of local authorities and civil society in improving practice in governance and management at municipal levels, particularly in water and environmental sectors (WES)". The three objectives of the project are the following: (i) Selected municipalities have become models for replication regarding provision of sustainable services in water and environmental sanitation (WES); (ii) Nationwide framework in the water and environmental sanitation sector is improved at all levels; (iii) Una Sana, managing the Project Facilitation Unit, has become an independent, sustainable consultancy company".

1.2 Objectives of the review

The main objective of the review was to provide SDC with key elements for the strategic orientation and realistic planning of one or two new municipal governance projects, with or without an explicit sector focus in the frame of the new SDC BiH Country Strategy 2013-2016.

The external review was meant to look at the following three issues with the main focus on the third point(see ToR in annex 1 for details):

- General (brief) appraisal of relevance, outcomes and outputs of GOV-WADE based on a self-assessment of the project facilitation team.
- General (brief) appraisal of Una Consulting's role and performance as implementer and facilitator of GOV-WADE in cooperation with SKAT based on a self-assessment of the project facilitation team.
- Propose strategic elements for decision making on future "more systemic" DLG endeavours beyond Water and Environmental Sanitation (WES), based on the major achievements and lessons produced by GOV-WADE.

1.3 Methodology of review

The external review was based on the following methodological elements:

Clarification of mandate: The review team discussed approaches and expectations of the review with persons in charge at SDC in Sarajevo and Bern as well as with the regional local governance and decentralisation advisor based in Belgrade.

Desk review of relevant documents: Documents provided by SDC and the project and other documents obtained through own literature search were analysed. A list of consulted documents can be found in Annex 5.

Interviews: Jointly with SDC a list of relevant interview partners was drawn up consisting of main stakeholders of GOV-WADE and core actors in regard to decentralisation and local governance (annex 3). Individual and group interviews, based

on a developed questionnaire, were held with totally 75 persons representing different actors.

Validation workshop: Towards the end of the external review mission a workshop was organised with the objective to discuss findings, conclusions, recommendations and issues to take into consideration while planning new SDC initiatives in the area of supporting municipal governance. Representatives of SDC, GOV-WADE, the Associations of Municipalities and Cities and other donors active in this topic were part of the workshop (list of participants in annex 4).

Debriefing with SDC in Sarajevo: The validation workshop was followed by a discussion with SDC. The aim of this discussion was to get the views of SDC, and decide on how to progress with finalizing the findings, conclusions and recommendations.

The assessment of the relevance, effectiveness and implementation of GOV-WADE is to a large extent based on the self-assessment conducted by the project team and documented in its report with the title “External Review November 2012 - Background Information Package”. Interviews contributed to validating the results of the self-assessment but served the purpose of finding answers to the questions, which elements SDC should consider while venturing into developing new support initiatives in the area of supporting municipal governance.

1.4 Context

Bosnia and Herzegovina is split into two deeply divided political entities – the Republika of Srpska (RS) and the Federation of Bosnia and Herzegovina (FBiH)¹. These entities lack a shared vision of the country and a consensus on the political system established under the 1995 Dayton Peace Accord (DPA). The stability and integrity of the country continues to rely on the presence of the international community and in particular the Office of the High Representative (OHR). The transition process is still in its infancy and will take decades to be consolidated.

Although some municipalities existed in their current form prior to the DPA, boundaries of many municipalities have been newly drawn up and completely new municipalities came into being based on the DPA. Post DPA municipal governance is still young and the legal framework governing relationships between local and higher level government is still in the process of being developed². Main responsibilities for regulation of local governance affairs lay in the RS at the entity level and in the FBiH at the cantonal level³. The complex administrative and institutional framework, the post-war recovery and the strong political party influence dominated by ethnic considerations has a significant influence on decentralisation processes and development of local governance.

Different donors are supporting the transition in BiH in the area of decentralisation and local governance. Among them the most important are USAID, SIDA, GIZ, EU, OSCE and SDC. SDC is recognised as a reliable partner in this field. It is esteemed for its long-term engagement and for producing tangible results in improving municipal service delivery.

¹ Apart from the two entities the district of Brcko is another self-governing administrative unit of BiH.

² The status and rights of local government are ensured in line with the European Charter of Local Self-Government

³ There are 10 cantons in the FBiH

2 Assessment of GOV-WADE

2.1 Relevance

2.1.1 Country needs and institutional priorities

In the on-going transition process the municipalities as the lowest level of government need to be equipped to play their crucial role not only in regard to public service provision but also in regard to establishing solid democratic processes. Furthermore, they have an important role to play as functioning entities in society contributing to building the nation-state from below.

The project's focus on increasing capacities of local governments and civil society in improving practice in governance and management at municipal levels responds to one of the most important needs of a country which finds itself in transition and which is in the process of establishing state structure and democratic processes. Furthermore, the project which supports infrastructure as well as capacity development of municipalities is fully in line with the country's own priorities of improving public service delivery.

The project is highly relevant in regard to supporting improvement of municipal service delivery, which is still weak. Only 60 % of the population has access to safe drinking water and sanitation facilities. Only 36% of households enjoy regular waste removal (World Bank, 2009).

Improved (municipal) governance depends on a sound regulatory framework, which is not yet fully in place and lacks implementation⁴. It is therefore pertinent that the project contributes to improved regulations.

2.1.2 SDC policies

The project is in line with the current SDC cooperation strategy for BiH and also with the new one for 2013-2016. Local governance is one of the priority areas in the current and in the upcoming Swiss cooperation strategy. It states the following: "While adopting a coherent approach at the level of the municipalities where inclusive and citizen-oriented development will be promoted, interventions in this domain will also support the decentralisation process as well as the dialogue and cooperation between all governmental tiers. Local governance and municipal services will address the management of communal utilities, including water supply and sewage disposal".

2.1.3 Conclusion

The support to BiH on increasing capacities of local governments and civil society in improving practice in governance and management at municipal levels is highly relevant. The support rendered through GOV-WADE corresponds to the needs of BiH and the policies of SDC.

2.2 Effectiveness

Assessment of GOV-WADE effectiveness was conducted by considering (i) to what extent project partners enjoy the services and products delivered by the project, (ii) to what extent the expected outcomes and outputs have been achieved and (iii) which

⁴ This is expressed for example in the FBiH by the lack of cantons adopting laws on transfer of certain functions and related finances to municipalities as required in the FBiH Law on the Principles of Local Self-Governance (2006)

factors considerably influenced the achievement of the project objectives. Reflections are based on the self-assessment conducted by the project team prior to the external review and information collected at interviews with numerous stakeholders.

The list of successful achievements is presented along the objectives and expected outcomes defined in the Project Document for the final phase of GOV-WADE. The list is not exhaustive but rather contains the most important achievements which are identified by the review team. These achievements are thought to have the potential for replication and/or they are seen as lessons which should be considered for future SDC projects.

Some project results relate to different expected outcomes. To avoid repetition they are not elaborated under each relevant outcome.

2.2.1 Replication models of GOV-WADE municipalities

Objective A

Selected core municipalities have become potential models for replication regarding provision of sustainable services in water and environment sanitation (WES)

Outcome A1

Municipal authorities and services providers successfully practice principles of good governance and provide quality services in water and environmental sanitation (WES) at local level in an equitable manner

Institutional changes: Introduction of a WES department or WES team under the department responsible for communal issues and environmental protection in each partner municipality represents a significant institutional change. This change resulted in clearer division of responsibilities in the municipal administration. Furthermore, it supported better links between the municipal administration with the WES utility leading to improved communication and involvement and contribution of the municipal administration in planning processes of the WES utility.

The introduction of clear (public service related) responsibilities within the municipal administration has found replication in other departments of GOV-WADE partner municipalities⁵. They have introduced designated responsibilities for other public services within their structures.

Municipal planning methodologies: A strategic planning methodology was introduced in all partner municipalities and exercised during the process of WES strategy development. The methodology introduced among other things a clear process of how to involve the different democratic actors (citizens, municipal council and municipal administration) at different stages in developing a strategic plan. The strategic approach and the involvement of the different democratic actors have been well accepted. A sign for this is that this process has been used in other thematic areas (e.g. youth policy), for developing integrated local strategies and even by some cantonal ministries in their policy development processes (e.g. by Ministry of Agriculture, Water Management and Forestry of Una-Sana Canton).

Improved management and communication capacities of utilities: According to representatives of municipal administration, the management capacities of WES utilities, and their communication with both the municipal administration and the public has improved. With the introduction of a comprehensive monitoring system the management of utilities has a more solid base for informed service improvement. Better services and communication also resulted in improved water fee collection (90.4% in 2010 => 91.4% in 2011). A sign for better communication with the public is that the number of breakages/leaks in the system reported by citizens has increased with; today 74,7% of them are being reported by citizens.

⁵ This also took place at the level of the canton of Una Sana

Tangible improvement of municipal public service delivery: Municipalities participating in the project have installed 6,610 new water connections and 3,046 new sewage connections. Furthermore, water losses have reduced: within one year (2010-2011) from 52.23 % to 49.90%. Quality of drinking water has improved⁶ as well as the area coverage with solid waste collection services⁷.

Improved municipal government capacities have been recognised: The overall strengthening of capacities of partner municipalities and communal utilities has resulted in successful applications for grants and loans for infrastructure development projects. The nine partner municipalities have a 60 million EUR investment in the “pipeline” financed by KfW, EIB, EBRD, WB, ORIO, SECO, etc.

Outcome A2

Civil society actors are democratically engaged in process of improving quality of services and better governance thorough: (a) Interaction with authorities (demanding rights);(b) Carrying out their obligations (payment of bills, etc.).

Process for involvement of citizens and civil society actors has been introduced: Participating municipalities have established a process of involving citizens and civil society organisations in different stages of the strategic planning process through consultations⁸. Civil society actors have also been given a role to play in the implementation of WES related activities. While such processes have been introduced they are neither firmly established nor based on a respective municipal rule or handbook.

MZs as organised part of civil society get established: As a result of municipalities recognising the importance of systematizing consultations with citizens, they also see the value of MZs. In Novi Grad for instance MZs were established due to this realisation.

Outcome A3

Regulations and legal provisions sustaining good governance in the water and environmental sanitation sector are adopted, enforced and integrated in framework at vertical (higher) level of authorities.

Changes achieved in WES policy and regulatory framework: Not only at the municipal level a number of new regulations⁹ improving governance were introduced, but also at the higher government level improved legislations were adopted (see details under outcome B2).

2.2.2 Improved nation-wide framework in WES sector through cooperation

Objective B

The nationwide framework in the water and environmental sanitation sector is improved at all levels regarding its supporting and enabling functions for advanced Integrated Water Resources Management (IWRM) concerning river basin.

Outcome B1

Common interest and needs in the River Basin are better covered in the inter-municipal and inter-entity cooperation.

⁶ Bacteriological quality of drinking water is improved regarding reduction in number of positive samples – 9.97 % of positive (faulty) samples (12.41 % in 2010). At the same time, physical and chemical quality of drinking water is also improved with reduction of positive samples – 5.17 % of positive (faulty) samples (13.40 % in 2010). (ref. GOV-WADE info package)

⁷ Solid waste removal coverage is increased from 81.68 % (2011) to 84.27 % (increase of removal for 2.59 %).(ref. GOV-WADE info package)

⁸ Thematic meetings with representatives of civil society showed enhancement in number of meetings but decrease in number of participants. In 2010 – 4 meetings were organized with 240 participants (148 male and 92 female), and in 2011 - 8 meetings with 98 participants (70 male and 28 female). (ref. GOV-WADE info package)

⁹ In the participating municipalities 25 new municipal decisions were adapted.

Regional approach to solid waste management: As a result of GOV-WADE support to inter-municipal exchanges, a long-term contentious issue of regional approach to solid waste management got momentum. All eight municipalities of Una-Sana Canton and one municipality from a neighbouring canton (Drvar) established inter-municipal cooperation and are making coordinated efforts to establish a regional solid waste management scheme. It will, though, still take further efforts and time for the waste management scheme to become operational.

GOV-WADE partner municipalities have become a driving force for changes in legislation: In Una-Sana canton, the cantonal Forum of Mayors addressed joint challenges and advocated for their issues at higher level. In the RS, Mayors initiated changes through the presidency of the Association of Municipalities and Cities (AMC). For example, the AMC presidency played an important role in changing the legal framework for transfer of ownership over communal utilities from entity to municipal level. This process was partly supported by GOV-WADE. However, the AMC presidency continued to be active in solving other problems in the interest of municipalities (e.g. advocating for changes in the Law on Concessions¹⁰).

Outcome B2

Improved comprehensive framework (including regulations, planning and structures) is supporting the provision of quality WES services at municipal level in an equity manner.

Changes achieved in policy and legislation development process: The process involves systematic consultations processes of relevant stakeholders in the different stages of problem definition, agenda setting and policy development. This process has found application at municipal level and at cantonal level. There are also indications that at cantonal level this process is being adopted for developing other legislations¹¹. This achievement may be even more significant in the long run than the actually achieved changes in the legislative framework.

Contribution to improved inter-governmental fiscal transfer system: This was achieved by supporting the development of a new Water Law in Una-Sana Canton¹² (direct attribution to the project) and by initiating changes in the RS Law on Concessions. Both laws introduced a formula based system of allocating revenues from higher government level to municipalities contrary to the previously prevailing discretionary allocation arrangements.

Contribution to changes in the assignments of functions between different tiers of government based on the principle of subsidiarity: In the Una-Sana canton, the project contributed to the development of three laws which deal with the division of functions between the canton and the municipalities. This includes the above mentioned Water Law, the Law on Communal Affairs and the Law on Solid Waste Management. In the RS, the project contributed to changes in law, which resulted in the transfer of ownership over communal utilities from entity to municipalities¹³.

Cantonal administration successfully introduced institutional changes: Similar to the municipalities the cantonal administration of Una Sana made changes to its administrative setup in order to improve service delivery by introducing an Office for

¹⁰ Some Mayors view the introduced changes in the law on concessions as a success while the general secretary of the AMC expressed his deep dissatisfaction with this law.

¹¹ Approach was used by the Una Sana canton for the development of the Law on Spatial Planning and Construction.

¹² This water law and the Law on Communal Affairs have already been recognized as a good law by other cantons and have been adopted with some changes in the canton of Mostar.

¹³ While municipalities achieved the transfer of ownership of these utilities, they have not yet reached a solution with the RS about how to deal with the liabilities which were transferred to them along with the utilities. This is a major issue which needs to be solved, since many municipalities are not in a position to service the debts of those utilities.

Environmental Protection as a separate unit within the Department of Environmental Protection and Communal Affairs.

Outcome B3

Enhanced sector performance through increased exchange and cooperation among key WES stakeholders facilitated through informal networks.

Introduced informal networks transcending entity boundaries and hierarchies contributed to finding solutions to different challenges: The project established and successfully supported the following networks: (i) Association of public water supply utilities in the Una river basin (serves as a platform for professional exchanges); (ii) Platform of municipalities in Una river basin (a multi-stakeholder network for policy-related discussions, e.g. new legislation and regulatory framework); (iii) Association of municipalities for solid waste management¹⁴ gathers nine municipalities (eight from Una-Sana canton plus Drvar municipality of Canton 10); (iv) Aquasan network BiH (gathers WES professionals and practitioners from different parts of the country and different levels of government).

The Una-Sana cantonal Forum of Mayors was not directly supported by the project but the project presented specific WES issues to the Forum. This was important in addressing joint challenges and advocating for issues vis-à-vis the cantonal authorities.

Although established by the project, the networks seem to be driven by their members. These informal networks, and explicitly the Aquasan network is highly recognised by participants as a network allowing members to find solutions to practical challenges. The reason for this is that unlike formal organisations, the network transcends hierarchies, formal structures and administrative boundaries bringing together people from different disciplines and organisations to discuss issues and jointly search for solutions. These networks also contribute to inter-entity exchanges and creating a sense of belonging to the same nation state as people at different levels work together on concrete issues. Since these networks transcend entity boundaries and hierarchies, it remains a challenge to keep these networks going without the facilitation support of a (donor funded) project.

2.2.3 Una-Sana as independent consultancy company

Objective C

Una-Sana has developed required capacities and human resources (gender equality and equity is integrated) to market and to implement consultancy services regarding general municipal infrastructure and in particular regarding the selected four service packages (Unaccounted for Water, Waste Water Collection and Treatment, Flood Control (risk prevention) and GIS).

Outcome C1

Una-Sana effectively and successfully facilitates project implementation regarding objectives A and B.

The assessment of the project management is dealt with in the section on project implementation under chapter 2.3.1 “Project Management”.

Outcome C2

Una-Sana has transformed itself into a consultancy company that is ready to operate efficiently, independently and is economically viable.

There are signs that Una Consulting is successful in operating as a professional consultancy firm: The Association of Una Sana successfully transformed into Una Consulting Ltd. The company has been successful in acquisition of mandates beyond

¹⁴ This is a formal network not registered as an association but established based on an agreement of cooperation.

the management of GOV-WADE. Since 2010 it acquired ten mandates, which annually contribute to approximately 20% of their current budget for staff and office running costs.

Outcome C3

Una-Sana has developed required capacities and human resources to market and to implement consultancy services regarding general municipal infrastructure and in particular regarding the selected four service packages (Unaccounted for Water, Waste Water Collection and Treatment, Flood Control (risk prevention) and GIS).

Capacities have been acquired mostly through managing GOV-WADE. In the course of managing GOV-WADE Una Consulting has improved its organizational and human capacities (equipment, 18 trainings for staff). Apart from technical content know-how in WES, the team is recognised among its partners as portraying competencies in regard to governance issues and organisational development.

2.2.4 Conclusion

Overall, the project implementation has been effective.

In relation to Objective A, significant changes in the institutional setup of local administrations, behavioural patterns and attitudes have taken place. Today, the GOV-WADE partner municipalities in many ways represent successful models which can be recommended to other municipalities for replication.

In relation to Objective B, GOV-WADE provided examples for improved decentralisation legislations. Effectiveness of the new legislations will depend on the extent of enforcement of new laws, to which attention has to be paid. In terms of inter-municipal and inter-entity cooperation, the informal networks facilitate finding answers to different questions at different levels of government. They also triggered important processes such as cooperation on regional solid waste management.

In relation to Objective C, Una Consulting has successfully performed in the role of project facilitator as well as in the role of new WES service provider at the market.

2.3 Implementation

2.3.1 Project Management

The project is managed by a “traditional” Project Facilitation Unit which operates outside existing government or non-government structures. This setup is viewed as being appropriate for implementing the project. One reason for this is that basic capacities in existing structures (e.g. the Associations of Municipalities and Cities) do not exist. Another reason is that the nature of the project as an inter-entity project requires a non-entity specific body to facilitate its implementation.

Una Consulting has become an asset to improve municipal governance. The project team has not remained a group of “hard-ware engineers” or project coordinators. It has developed recognised in-depth content know-how on WES in particular and governance processes in general. These capacities are key assets of the project. The project team is highly recognised by participating municipalities as a true facilitator and service provider, which is highly responsive to emerging opportunities and challenges.

Mutual trust and achieved results are an effect of long-term engagement. The project team has been successful to build bridges among stakeholders from different municipalities, all levels of government and both entities. In the given context, building mutual trust takes time and is an essential basis on which project results can be achieved.

The project management is not present in the general decentralisation and local governance arena. Despite its capacities, experiences and tangible results in improving local governance, Una Consulting has not yet ventured out to establish linkages with key actors in local governance like the Association of Municipalities and Towns or respective think tanks (e.g. EDA).

SKAT's inputs throughout the project implementation have been very relevant and highly valued by both, the Una Consulting team and local partners. The arrangement of a BiH PFU with a Swiss coach has proven to be an effective way of linking local and Swiss knowledge.

2.3.2 Project steering

The Project Review Board (PRB) is an important platform for exchanges, review of progress and participatory project management. The review team met with the majority of its members who show enthusiasm to participate in the project and contribute to genuine changes. The review team noticed ambiguity in roles of local stakeholders who benefit from project activities and, at the same time, participate in the PRB. The conflict of interest has been minimized on the grounds that the PRB plays more the role of an advisory group to the project and is less involved in strategic decision-making, which is left to SDC.

2.3.3 Conclusion

Overall the project setup proved to be suitable for achieving the purpose of the project. There is room for improvements related to distinguishing responsibilities for project management/implementation and strategic steering.

3 Recommendations regarding GOV-WADE

With the aim of enhancing effectiveness and ensuring sustainability of achievements in the remaining period of project implementation, the following recommendations are made:

Experiences need to be documented, disseminated and capitalised: The most significant project experiences, in terms of processes and products, should be documented, so that they can be used by local stakeholders and by other (SDC) projects.

Successful governance processes need further institutionalisation: Options should be analysed for institutionalisation of achieved changes, e.g. in the form of municipal or cantonal decisions, rules, handbooks, etc. This would enlarge chances for sustainability of improved governance practices.

Get engaged in the overall decentralisation and local governance arena: It is important to promote project achievements, knowledge and experiences also outside the "WES community". The project should establish contact with policy actors who deal with overall local governance issues at the level of the cantonal and entity administration, the AMCs, think tanks, etc., and promote the achievements striving for replication of approaches in other municipal service domains.

Assess potentials for continuation of networks: The initiated networks are very effective platforms for exchange and dissemination. Since these informal networks in general and the Aquasan network in particular still require facilitation support, discussions should be initiated between the networks, the PFU, SDC and possibly other donors, on how to secure their functioning beyond the project's life.

Support citizens' engagement in implementation of strategic and annual plans:

The project successfully fostered public participation through various mechanisms during the WES strategy development phase. However, the involvement of citizens in the stages after adoption of strategies remains limited. Avenues should be sought of how the public (incl. NGOs) can be engaged in the stages of implementation of the plans and monitoring of the same.

Economic aspects of WES investments need close attention: The attracted loans from different development banks by GOV-WADE supported municipalities are celebrated as success. Attention has to be paid to the (long-term) financial capacities of the municipalities and their utilities to service such loans and to financially secure maintenance of the WES infrastructure developed with such loans.

Support emerging change agents and make use of local expertise: Persons in different positions (Ministers, Mayors, councillors, utility managers, etc.) have become resourceful persons who can be instrumental in disseminating experiences and good practices. They should be purposefully engaged to secure dissemination and replication of experiences and good practices.

Una Consulting's position at the market needs to be strengthened: The acquired mandates of Una Consulting are still inadequate to keep the company running with its present outlook. While there is an adequate demand for engineering services further opportunities should be explored to provide consultancy services in the core competence of Una Consulting which is in the area of (WES) governance, institutional development and project management.

4 Major achievements and lessons of GOV-WADE to be considered for future SDC decentralisation and local governance endeavours

In the previous chapters different achievement and lessons learnt have been mentioned. In this part some of the major points which should be taken into account for new SDC initiatives are repeated and synthesised.

Institutional changes and procedural changes should be fostered in different service domains: The introduction of WES departments / teams has effectively contributed to improved efficiency of public services. Furthermore, the introduced consultation processes with different stakeholders (incl. the public) in the course of developing regulations and strategic plans has shown success. The specific project focus on WES services has not allowed active promotion of these changes in other public service domains and sectors. Therefore, such changes are recommended for replication in other areas of municipal and cantonal governance.

Work with all democratic actors (executive, legislative, citizens) on concrete issues and processes. This has been recognised as an important approach in GOV-WADE by means of which it was possible to establish and improve democratic processes in partner municipalities. The position of Mayors as the driving force of municipal governance, asks for keeping them as the main points of contact for local governance projects. However, the work with municipal councillors and citizens also proved to be crucial and must not be neglected. Experiences of GOV-WADE have shown that effective functioning of municipal governance (especially efficient decision-making processes) depends significantly on the role of councillors and their relationship to the executive.

Work within existing (non-parallel) structures proved to yield sustainable results. Creation of parallel structures (e.g. working groups in addition to the council committees) should be avoided in future projects.

Effectiveness of GOV-WADE in applying a specific municipal service approach to impact local governance has to be taken into account: GOV-WADE provided good examples of impacting the decentralisation framework while focusing on a specific municipal service domain. In the design of new SDC initiatives the advantages and disadvantages of this approach, compared to a general comprehensive governance approach, have to be considered.

On-system financing of municipal projects has to be harmonised with municipal budgeting process: GOV-WADE demonstrated a successful example of earmarked on-budget co-financing for municipal development and service infrastructure projects – the system is harmonised with the budgeting process of municipalities.

Support to implementation of infrastructure projects proved to be a good vehicle to trigger democratic changes: GOV-WADE exercised decentralisation and democratic changes along implementation of infrastructure projects in regard to WES. Like this, capacity-building did not remain an empty message but gave stakeholders a chance to apply the acquired knowledge in practice.

Networks established by the project are effective platforms for professional and inter-municipal exchanges: Informal networks initiated and facilitated by GOV-WADE have been effective to find solutions to different challenges. They furthermore, contributed to inter-entity collaboration. Their long-term sustainability does not necessarily have to be an aim. However, new SDC projects should also make use of such networks as vehicles for horizontal and vertical integration.

Policy development processes require time: Experience of all governance projects, including GOV-WADE, shows that bringing about changes in the legislative framework takes time. Therefore, sufficient time and appropriate phasing has to be planned for future interventions to impact on the regulatory framework.

GOV-WADE core partner municipalities need further support to institutionalise changes: Project partner municipalities are more advanced than others and provide a good governance model specifically in regard to WES. However, new systems still need to be consolidated, such as local regulations for efficient enforcement of new laws, public accountability mechanisms in the implementation and monitoring stage of WES strategies, etc.

Established assets should be promoted and utilised in the future: The following assets are identified: (i) Advanced municipalities: Their know-how and practices should be made accessible for other municipalities and cantons; (ii) Identified “Change Agents” within municipal administrations, utilities, cantonal administration, etc: These should be engaged in future interventions; (iii) Una Consulting: its competences in regard to municipal governance, WES, and project facilitation should be utilised for Swiss initiatives.

5 Proposed strategic elements for future SDC decentralisation and local governance endeavours

5.1 Importance of impacting the core elements of municipal governance

5.1.1 Introduction

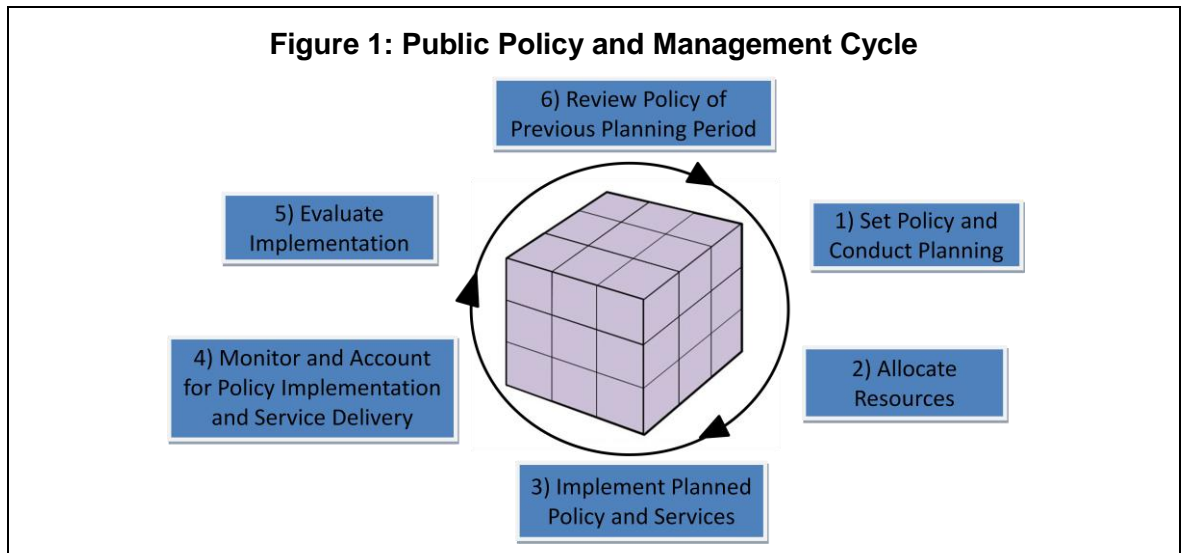
One of the priorities of the new Swiss Cooperation Strategy for Bosnia & Herzegovina 2013-2016 is to support the development of functional political, administrative and fiscal decentralisation processes with the ultimate aim of citizens having access to quality services provided by local governments. Different initiatives are being planned in this regard involving projects focusing on (i) the role of citizens in playing a responsive and pro-active role within local institutions (MZs) in political spaces, (ii) the functioning of municipal governance and the provision of local public services, and (iii) the role of associations of local governments in representing the interests of local governments vis-à-vis the higher level government. This study concentrates on what to take into consideration in projects aiming at supporting local governance functioning and improved public service delivery. While doing so, it touches on issues regarding citizens' participation and the role of local government associations. The focus is though on how best to impact the core elements of municipal governance.

Support to local governance has to take into account general aims of the Swiss cooperation in Bosnia and Herzegovina. This includes the aim of contributing to nation building, which requires among other things the promotion of inter-entity and inter-ethnicity cooperation.

5.1.2 Core elements of municipal governance in Bosnia and Herzegovina

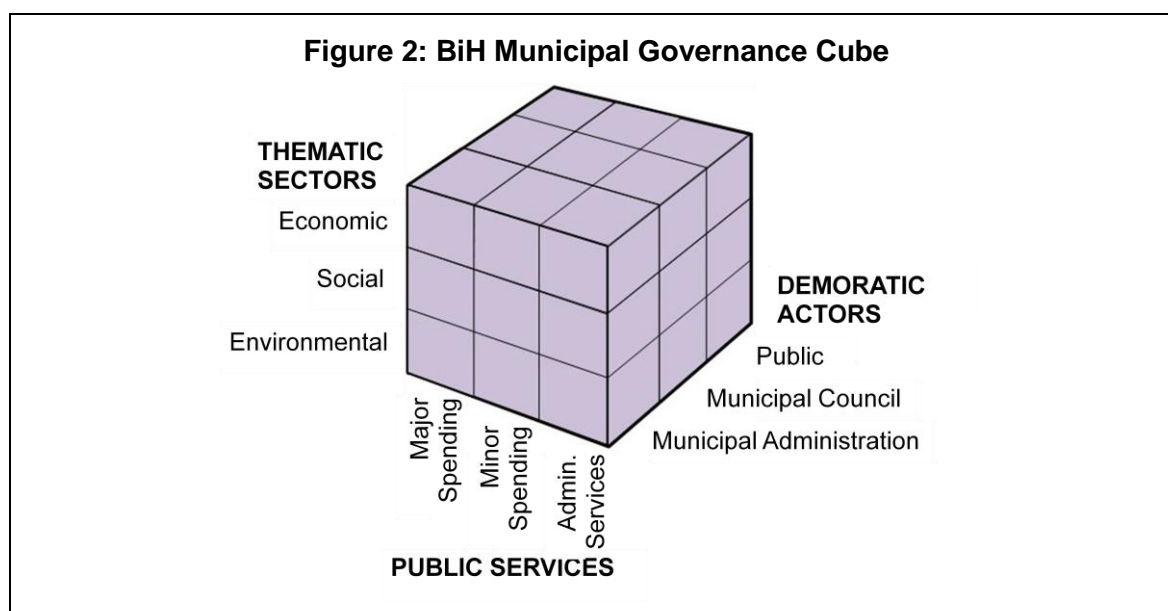
The question which stands at the outset and the centre of this report is, how to best impact municipal governance in BiH. To find answers to this question it is important to understand what the core elements of municipal governance in BiH are.

For BiH the core elements of municipal governance can be described as consisting of (i) the Public Policy and Management Cycle and (ii) the interrelated dimensions of democratic actors, public services and thematic sectors, which can be illustrated in the Municipal Governance Cube.



The Public Policy and Management Cycle applies to any public service that falls in the competence of municipalities. It contains the following elements:

- 1) *Setting policies and conducting planning*: be that at the level of general strategic development plans and/or sector or public service related strategic plans. These strategic plans have to find application in annual activity plans.
- 2) *Allocation of resources*: multi-year and annual budgets which are inter-connected with the strategic and annual plans have to be elaborated.
- 3) *Implementation of planned policies and services*: this involves organisation of service delivery, be that through own provision, contracting out to service providers or other service provision arrangements.
- 4) *Monitoring and account for policy implementation and service delivery*.
- 5) *Evaluation of implementation*: implemented policies and services have to be evaluated in order to know and understand whether and why they have or have not yielded the expected results.
- 6) *Review policy of previous planning period*: previous policies have to be reviewed in the light of the current situation, future needs and developments.



The BiH Municipal Governance Cube illustrates three interrelated dimensions of municipal governance which are all affected by the different steps in the public policy and management cycle.

Thematic Sectors municipal governance deals with are shown in the first dimension. These are related to (i) economic, (ii) social (incl. cultural) and (iii) environmental development¹⁵.

Public Services in the competence of municipalities are illustrated in the second dimension. The whole range of municipal services can be divided into three¹⁶: (i) Major Spending Public Services include water supply, sanitation, solid waste management, local roads and central heating¹⁷. (ii) Minor Spending Public Services include among others pre-school education, public libraries, school buses and ambulance services. (iii) Administrative Services include for instance issuing of certificates, licenses and permits. Municipalities are usually organised along public services domains and not along thematic sectors. This is true for the organisation of the municipal administration as well as for the structure of the municipal budget.

Democratic Actors which are part of municipal governance are finally related to in the third dimension. This is (i) the municipal administration, which is the core actor with the Mayor as the key driving force. It also includes (ii) the municipal council paying the role of the legislature and ensuring oversight of the municipal administration and finally (iii) the public being made up of citizens, private businesses and civil society organisations.

Ideally all three interrelated dimensions have to be addressed while trying to impact municipal governance. Whether a specific actor, a specific service or a specific thematic sector should be prioritised, will be dealt with in the following chapters.

¹⁵ The term "Sector" is used in BiH for these three areas. The strategic planning methodology as introduced by ILDP follows planning along these three themes, while acknowledging that in each sector different municipal public services are applicable. For instance project in the economic sector like development of a business zone requires public services such as water, sanitation, solid waste management, road connectivity and business licenses.

¹⁶ This is a common differentiation for municipal public services and is also applied by the World Bank. See World Bank, 2009

¹⁷ Public heating as a municipal service does not exist in all municipalities

Regardless the answer to the above question, it is crucial for a municipal governance support project to attempt to work on all the steps of the public policy and management cycle. A narrow focus for instance on strategic planning without supporting the municipality in the following steps of budgeting, implementation (incl. procurement), monitoring, evaluation and policy review runs the risk of leaving little impact on improved public service delivery, because of the inter-connectivity between the elements in the public policy and management cycle.

Municipalities may show different levels of maturity in dealing with the various steps in the public policy and management cycle. Swiss support has to take this into account and adapt its support offer to municipalities accordingly¹⁸. Furthermore, Swiss support has to take into account the time dimension of the public policy and management cycle and recognise that to build capacities along the cycle needs practice and hence time.

5.2 Focus on executive, or executive and legislative?

Working within the public policy and management cycle entails engagement in democratic processes which involve all democratic actors in a municipality. Be it at the stage of strategic planning, budgeting, monitoring or review of policies of previous planning period all democratic actors have to play their respective role: the municipal administration, the municipal council as well as the public. None of these actors may be neglected.

The driving force for municipal governance and improved public service delivery is the municipal administration with the Mayor as its head. It should remain the entry point for Swiss municipal support projects. Experiences of other municipal support projects¹⁹ have shown that progress depends to a large extent, but not exclusively, on the leadership of the Mayor. An exclusive focus on the municipal administration, however, would limit the effects on democratic processes.

The municipal council plays an important role in democratic processes. It is involved in representing the public, setting policies, strategic planning, budgeting, and monitoring implementation of policies and public services. There is a need that the capacities of the council are also built in the frame of the public policy and management cycle with the aim that the council becomes more capable to perform its assigned role. Experiences of GOV-WADE have shown that it is most rewarding to engage with the municipal council in very specific issues along the public policy and management cycle and not through detached trainings on “abstract” issues of good local governance.

Apart from engaging with the municipal council along that cycle, more specific activities a Swiss project could engage with are the following:

- Improve the link between the municipal council and the public by enhancing accountability and transparency. E.g. (i) foster or introduce meetings of council members with the public prior to municipal council sessions to discuss scheduled

¹⁸ Municipalities have participated in different local governance programmes, which have worked to different degrees on elements within this cycle. It will be important to take the established practices into account and not introduce another methodology for the different elements. In regard to overall strategic planning ILDP has for instance introduced methodologies while GOV-WADE has introduced a specific service domain (WES) related strategic planning methodology. Furthermore GAP introduced a methodology for participatory capital investment planning.

¹⁹ This has been confirmed by persons being involved in GAP, ILDP and GOV-WADE.

issues and take up priorities of the public, (ii) broadcast municipal council sessions through the local TV network.

- Improve functioning of the council. E.g. (i) work with Party Clubs²⁰, (ii) council committees and (iii) the council president on specific procedural and thematic issues.

Democracy is the rule of the people and therefore engagement may not be limited to the municipal administration and council but must extend to the public. While SDC is planning separate projects to engage with citizens through local communities (MZs) municipal governance support projects should aim at improving the institutional engagement of the public along the public policy and management cycle. A successful example in this regard is how GOV-WADE institutionalised the engagement of the public in the strategic planning process for water and sanitation related services.

5.3 Sector focus - yes or no?

Clarifying the semantics: In the terminology of this report a differentiation between thematic sectors and municipal public services is made (see Figure 2: BiH Municipal Governance Cube). *Thematic Sectors* refer to issues related to economic, social (incl. cultural) and environmental development. *Municipal Public Services* refer to issues like water supply, sanitation, local roads, public libraries, ambulance services, and issuing of licenses²¹. Each of the three thematic sectors is interlinked with municipal public services. For instance the economic sector is linked to (i) the major spending services through the need to have dependable water supply and local road access for businesses, (ii) the minor public spending services through the need for businesses to employ persons who depend for their child care on pre-school institutions and (iii) the administrative services through the need to have a fair and swift system of providing licenses for businesses.

The question is therefore, whether a specific service approach may be suitable to best impact all elements of municipal governance. Acknowledging the interrelation between sectors and public services, it becomes apparent that all sectors can be impacted by focusing on improving public service delivery²². The rationale for this is that any sector depends on a range of municipal services and can therefore be impacted by focusing on improving municipal service delivery. Four different options are considered below.

Specific service focus: With a specific municipal service focus, like GOV-WADE has applied, a project limits its focus to one specific public service. By doing so it can contribute to improving all aspects in the public policy and management cycle, impacting institutional arrangements in regard to this service and effecting democratic processes by working with all democratic actors of a municipality. It can also impact on the different sectors by improving one specific public service that is required in each of these sectors. Further advantages of such an approach are that a project does not only contribute with process knowledge on the public policy and management cycle but also with specialised content knowledge on the specific public service it works on. The limitation and the risk of such a specific service focus is that a municipal support project may become compartmentalised and have no impact on other important municipal services.

²⁰ Party Clubs refer to the grouping of political parties in the municipal council. In other countries this is referred to as council groups or council fractions.

²¹ There are many more municipal public services.

²² Vice-versa it is also true that all services can be impacted on by focusing on improving the different sectors. The limitation of a sector approach is, however, that municipalities are not organized along sectors but along services. This is true for the organization of the municipal administration as well as of the municipal budget.

General governance focus: Projects with a general governance approach, like the Municipal Development Project (MDP) (2001-2011), tend to support municipalities to improve issues along the public policy and management cycle and are able to respond to the different priorities of municipalities in improving municipal service delivery. The limitation of such an approach is that such municipal support projects risk to remain “jack of all trades – master on none”. There is a risk that projects stay at the abstract level of the public policy and management cycle and are not in a position to work through the whole cycle based on a specific example. Furthermore, there is a challenge to address in-depth public service management issues. The reason being that such projects have to deal with a multitude of services, ranging from public libraries, pre-schools, central heating to waste management. This may strain the capacities of a project to provide or identify the required content knowledge for improving such services. Finally, such an approach also poses a challenge to achieve policy impacts. The reason for this is that there is a multitude of public service related laws which deal with issues of allocation of competences and finances. Influencing changes in such laws needs specific attention, specific content knowledge, gaining allies and sufficient time²³.

Specific service as an entry point: The approach of choosing a specific service as an entry point to have an effect on the whole public policy and management cycle, all democratic actors, all sectors and services is an option to combine the advantages of the above mentioned approaches while reducing their limitations. The idea of such an approach is that a specific service is chosen as an entry point but that improvement in other public services would also be actively supported²⁴. Content knowledge will remain specialised on a specific public service but process knowledge applicable to this specific public service would also find application in other services. The risk of such an approach is that a project could find itself again trapped in a specific service with limited outreach to other municipal services.

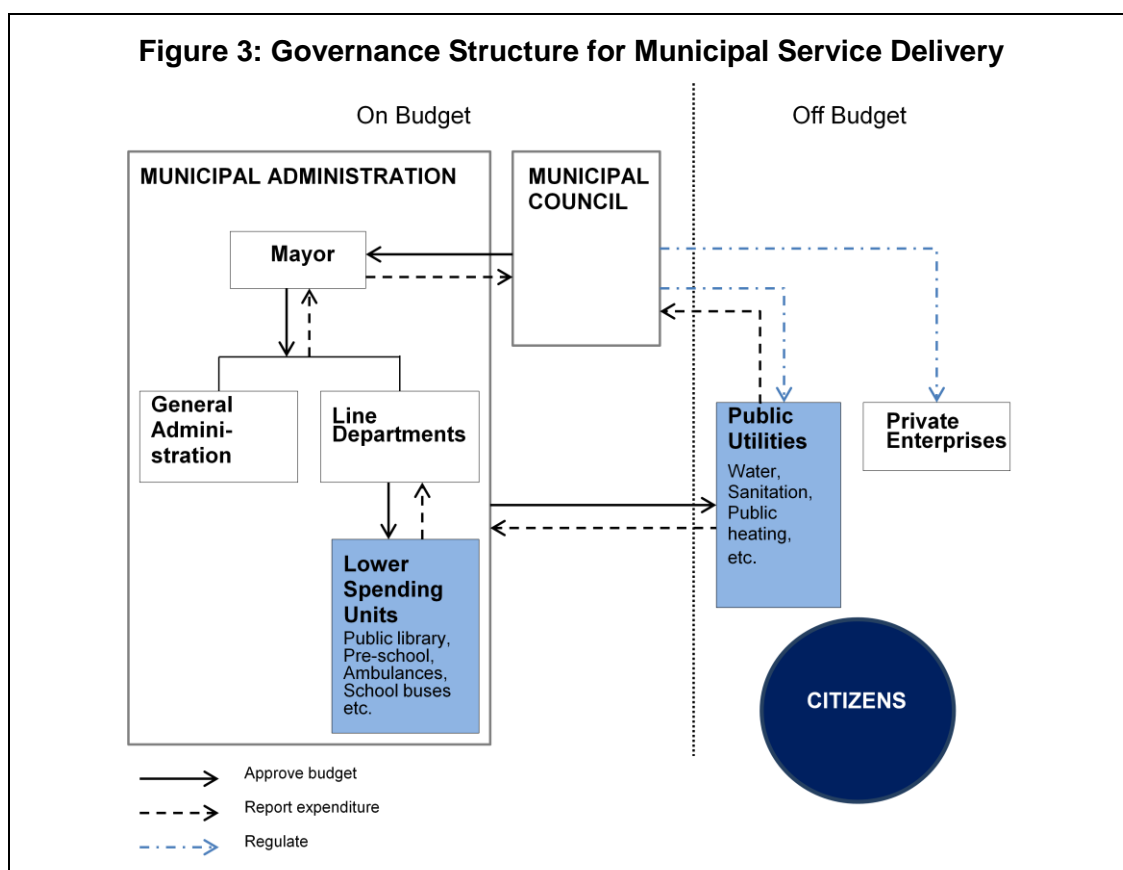
For such an approach to have the best effect on the core municipal governance system the most suitable municipal service has to be identified as an entry point. The criteria below should be considered for identifying such a service:

- Improvement of service should be of high priority for citizens. This would also make sure that citizens would have high interest in participating in democratic process regarding this particular service.
- The service chosen should have the as many effects on different sectors as possible (economic, social, environmental).
- The service needs to have the most comprehensive institutional setup, including public utilities (see illustration below). Like this the institutional setup and the respective accountability processes can be impacted.
- The service should in financial terms be one of the most important municipal services – hence belong to the Major Spending Services.
- The service should be in the sole competence of municipalities²⁵ (this excludes education, health, agriculture, etc. which are in the competence of higher level government).

²³ Only focusing on water and environmental sanitation has taken municipalities supported by GOV-WADE more than three years to influence higher government to make changes in respective laws.

²⁴ In contrast to the „Specific Service Focus“ approach, this approach does not rely on spill-over effects of its investment in a specific service domain. This approach asks for active support of municipalities in improving its processes and structures also in other service domains. However, the project intervention may not offer the same intensity of capacity development support in services other than the one chosen as entry point.

²⁵ The role of municipalities in services which are shared between the canton/entity and the municipalities, like education and health, is limited to providing and maintaining the respective buildings. In agriculture no role is foreseen for municipalities.



Source: World Bank, 2009

Applying these criteria across municipalities in BiH one comes to the conclusion that in general water and environmental sanitation (WES) public services are most relevant to serve as meaningful entry point. The reasons for this are the following:

- WES public services are generally of highest priority for citizens. 1.4 million people have no running water, only 36 % of households have regular waste removal services and 15 % of the population lacks any own or public sanitation facilities (World Bank 2009). Recent studies of the World Bank, the World Bank Institute and SNV confirm the people's priority for these municipal services²⁶.
- WES public services can have a strong effect on all three sectors. These services are needed for many economic activities (including agriculture), for services in the social sector like the upkeep of school buildings and obviously directly related to the environmental sector by addressing issues of waste water and solid waste management.
- WES public services in municipalities are organised through utility companies unlike other Major Spending Services such as local roads or any of the Minor Spending Services.
- In financial terms the WES services are the most capital intensive services. While the budget of the utilities is not integrated in the municipal budget a consolidated view showed that WES services may account up to 25 % of the overall expenditures of a municipality.
- Unlike education, health and other important public services, which are the responsibility of higher level government, WES services are in the sole competence of municipalities.

²⁶ World Bank, 2009; World Bank Institute, 2009; SNV 2011

While WES services generally fulfil the above mentioned criteria best in most municipalities of Bosnia and Herzegovina, these criteria would have to be applied also to specific municipalities, which may possibly yield a different result.

Consideration of using on a pilot basis a sector as an entry point in advanced municipalities: Although there are strong arguments for using a specific municipal service as an entry point, there may be municipalities with well-established municipal service delivery where a sector could be chosen on a pilot basis as an entry point. For example, this approach could be applied in advanced ILDP partner municipalities, which developed strategies for each of the three sectors, and created solid basis to further improve their services delivery. Focusing on the economic sector would probably be the most relevant for most municipalities. This sector focus could serve to deal with municipal services such as WES, local road connectivity, street lighting and provision of licenses. Also with this perspective, the different democratic actors could be involved and worked with and all of the support could happen along the public policy and management cycle. Depending on the sector chosen, respective content knowledge would have to be available.

5.4 Moving towards a more on-system financial support for municipalities

5.4.1 Impacting municipal funding mechanisms and fiscal decentralisation

The performance of municipal governance depends to a large extent on the regulatory framework it operates in. This framework has to clarify among other things the allocation of responsibilities to municipalities. It should also respect apart from the principle of subsidiarity,²⁷ the principle of fiscal equivalence. This principle states that responsibility for a task, the power for decision making of that task and the cost bearing of that task have to match.

Judging from the interviews and a limited number of studies reviewed the principle of fiscal equivalence is not fully adhered to. Therefore, there seems to be a considerable need to improve the current practices of allocation of revenues to the different tiers of government.

In both entities municipalities depend on three general types of revenues: (i) shared taxes and taxes organic to the municipality²⁸, (ii) non-tax revenues (fees, charges, rental income etc.) and (iii) current grants.

While municipalities would like to see changes to formulas for the allocation of shared taxes, they see even a greater need to regulate the allocation of current grants which amounted in 2010 to 17% of municipal revenues in the FBiH and to 9% in the RS (NALAS 2011). These grants are mostly earmarked for a specific public service domain and are often not allocated based on formulas but on conditionalities, which leave room to be influenced by political considerations.

Based on the example of one of these grants (cantonal grants based on collected water fees) GOV-WADE has shown how municipalities can influence the allocation criteria and introduce a formula based allocation mechanism opposed to the previously prevailing discretionary allocation practices.

There are a number of such thematic grants managed by various ministries (in the FBiH mostly by cantonal ministries) which have the scope to improve their allocation criteria. Further information would be needed to gain an overview on the different grants existing

²⁷ The principle of subsidiarity states that a matter should to be handled by the lowest level of government capable of addressing that matter effectively.

²⁸ VAT, Taxes on Payroll and Workforce, Property Taxes

and being managed by the different cantonal and entity ministries. Based on such information one could identify the most important grants and work on altering their allocation mechanism by introducing changes to existing legislation which govern the respective grant.

While GOV-WADE has shown on one example how municipalities can influence the existing inter-governmental transfer system, there are example of other countries where donors directly attempt to influence the transfer system by channelling funds through existing allocation mechanisms of higher level government.

5.4.2 Considerations in regard to a more on-system municipal budget support

From discussions with the Ministries of Finance and other ministries which manage different grants at entity and cantonal level, it appears that there does not yet exist an opening which would allow donors in Bosnia and Herzegovina to top up existing grant schemes or mechanism for allocating shared taxes. Ministries, however, do have options for managing donor grants which they could allocate to municipalities. These options, however, only foresee the allocation of funds to different municipalities but not a transfer from the ministries' account into the municipalities' account. This means that these options would see the ministries as ultimately responsible for the works done at municipal level, including monitoring of implementation and paying of contractors. Making use of such existing country systems would not provide a donor with an entry point to influence existing inter-governmental fiscal transfer systems.

Having come to the preliminary conclusion that there is apparently at the moment no opening to influence the inter-governmental transfer system by channelling donor funds through existing mechanisms, it may still be worth to explore this issue further.

5.4.3 Options of on-budget support

As mentioned in the first part of this report, GOV-WADE unlike most other donor initiatives²⁹, has provided municipalities with earmarked on-budget support. It is crucial that the principle of on-budget support is maintained because this allows and forces municipalities to apply its steps in the public policy and management cycle in the way they plan, implement, monitor and evaluate activities related to funds received from donors.

GOV-WADE currently applies a pragmatic approach to the allocation of funds to different municipalities. This allows the project to respond to different needs and absorption capacities of municipalities.

Further options for providing on-budget support should be considered which include incentives for municipalities to improve their performance.

Competitive grant system: Introducing a competitive grant system would have the following main advantages and disadvantages:

- + Preparing municipalities to apply for other competitive grants (IPA-Grants, government grants, other donor grants).
- + Introduction of performance criteria which would encourage municipalities to improve aspects of municipal governance.
- Competitiveness of system could result in municipalities being less willing and open to share experiences and expertise with other municipalities.

²⁹ Most donor projects do not transfer money into the account of the municipalities. They either open a separate account with the project and the municipality as co-signatories through which project activities are paid, or they pay the activities directly to contractors based on submission of the respective bills.

Formula based grant system: Such a system would allocate the grants to municipalities based on a transparent formula. Such formula could take into consideration the formula used for allocating shared-tax revenues and improve on it. The main advantages and disadvantages of such a system are the following:

- + Transparency in allocation.
- + Potentially engaging in a policy dialogue with higher level government on how to arrive at meaningful formula for allocating funds to municipalities
- + Introduction of performance criteria which would encourage municipalities to improve aspects of municipal governance.
- Limited options to respond to issues of absorption capacity of municipalities.

A combination of both systems is possible in the sense that a competitive grant system can also be based on formulas.

Furthermore, the practice of GOV-WADE to divide grants into a part related to hard-ware and one for soft-ware is one that should be further developed. Instead of the current definition of the two grant components a clear division between grants for capacity development and grants for infrastructure development could be introduced. Activities related to both grant components would need to be developed through municipal governance processes.

In case a new project goes beyond the “specific service focus” approach and uses a “specific service as an entry point”, grants provided to municipalities should not be limited to the chosen service domain. While a considerable part of the grants may be utilised for the chosen service domain, municipalities should be allowed to use grants for other municipal services based on their development priorities and the fulfilment of basic eligibility criteria.

5.5 Choice of eligible municipalities

5.5.1 Criteria for choosing municipalities to work with

The following general issues should be taken into account while selecting municipalities to work with in improving municipal governance:

Scope for inter-entity and inter-municipal collaboration: Any project working on municipal governance in Bosnia and Herzegovina should make sure that it works with municipalities in both entities. This is especially applicable for SDC, which aims at building bridges between the two entities and by doing so contribute to a sense of belonging to the same state. Furthermore the scope for inter-municipal collaboration should be given. This would have to take geographical proximity and the thematic focus of support into account.

Leadership of Mayor: Since the leadership of the Mayor plays a key role in achieving impact on the core system of municipal governance, it is crucial that municipalities are chosen which are governed by a Mayor with strong leadership skills and commitment to the aims of the project.

Member of the presidency of the Association of Municipalities and Cities: In order to have better influence on the AMCs, being able to set the agenda for advocacy vis-à-vis higher level government but also for up-scaling of new or improved practices, it would be good to choose at least one municipality in each entity whose Mayor is member of the presidency of the AMC.

Power-relations: Success of a municipal support project does not only depend on the leadership of the Mayor but also on the inter-play between the different democratic actors in the municipality and beyond. In this regard it is important that the following

relationships are conducive: (i) Mayor - Municipal Council, (ii) municipality – municipality, (iii) municipality – canton (FBiH) /entity (RS). A brief analysis of these power relations may help to assess their conduciveness.

Scope for critical mass and voice to impact policy level: Within each canton and entity an adequate number of municipalities should be chosen, since it is them who will identify and finally have to jointly advocate for policy changes at higher government level. Influence on policies is more likely, if a critical mass of municipalities advocates for the same issue.

Level of development: The state of development of a municipality – and especially of the specific service which is chosen as an entry point - can also be a criterion. There are vast differences when it comes to the state of public service delivery in different municipalities. The choice should be to include at least some less developed municipalities.

5.5.2 Considerations regarding the geographical focus of new initiatives

Staying engaged with current GOV-WADE municipalities: Municipalities currently involved in GOV-WADE have developed a remarkable number of good practices in regard to different steps in the public policy and management cycle, involvement of democratic actors, institutional arrangements of the municipal administration and the utilities, improved service delivery and also in regard to influencing changes in the legal framework at higher government level. These experiences have to be drawn on in the future and avenues sought for up-scaling those in other municipalities. The current GOV-WADE municipalities furthermore show different levels of progress. There is room to consolidate newly established practices and complete municipal regulations to put those practices on solid ground. For these reasons, some degree of further engagement with current GOV-WADE municipalities is a requirement.

Option I: Continue working in existing geographical area: Due to the engagement of GOV-WADE governance and WES related service delivery in these municipalities has improve considerably. If one chooses to continue to work intensively in these municipalities one should not only deepen the impact but also extend impact on overall municipal service delivery and possibly also support municipalities to comprehensively work on improving a specific sector.

Option II: Work in new dispersed municipalities with an aim to make use of synergies with other Swiss projects: This option would allow to support and deepen the impact of other Swiss initiatives (SECO, ILDP) in municipalities around the country.

Option III: Using a cluster approach in a new geographical area: similar to the current geographical choice this would mean focusing on different areas in the country and selecting in those areas a critical number of municipalities in both entities and in specific cantons. This would allow benefiting from inter-entity and inter-municipal collaboration and the ability to jointly influence issues at higher level government.

5.6 Vertical integration and the role of associations of municipalities and cities

Better municipal governance cannot be achieved solely by working with municipalities on improving their functioning. The regulatory framework within which municipalities operate plays a crucial role in allowing municipalities to play their role effectively and provide public services in an adequate manner. Influencing and improving the regulatory framework governing decentralisation, therefore, has to be the aim of any municipal governance support project. Some thought on the role associations of municipalities and cities may play are provided below.

5.6.1 General thoughts on the importance and role of the associations of municipalities and cities

Since higher level government generally does not voluntarily give up power and transfer competences to lower level government, a strong lobby is required for meaningful decentralisation. Local governments, which are primarily accountable to their electorate and not to higher level government, have the biggest interest to improve the situation of local governance. They are therefore the natural advocates for the cause of decentralisation. In order to have sufficient political weight to successfully represent their interest vis-à-vis the higher level government, a common platform is indispensable. Therefore, associations are seen as a requirement for a successful decentralisation process, which ultimately serves to improve public services for citizens³⁰.

The core role of the associations of municipalities and cities is for the reason mentioned above to represent the interests of their members vis-à-vis the higher level governments. A prerequisite for successful representation of members' interests is that associations build on the technical and political knowledge of their members. Relying only on the expertise of their secretariats may not yield expected results. Acknowledging the role of the presidency of the associations of municipalities³¹ in fulfilling the core role of the associations is therefore important.

The other two roles the two associations of municipalities and cities state to have can be viewed as secondary, namely, (i) providing its members with professional services, including training; (ii) creating a platform for exchange of knowledge and information.

5.6.2 Perception, capacities and potentials of Associations of Municipalities and Cities

The AMC in the FBiH is perceived as not being of high relevance for its members³². The reason for this may be that for municipalities in the FBiH the most relevant higher level government for issues related to decentralisation and improving public service delivery is the cantonal government. The AMC secretariat is not seen as having the relevant capacities to support Mayors in all cantons (and particularly the remote cantons) in advocating for their issues at this level.

Despite the perceived weakness of the AMC and its absence at cantonal level, there are successful examples in the canton of Una Sana of Mayors getting together in a so called Forum of Mayors³³ and being able to influence changes in legislations.

In the RS the AMC appears to be of more relevance to its members. The presidency seems to be active and driving advocacy efforts. There are examples of how it has been successful in representing its members' interest vis-à-vis the entity government despite its secretariat, which is perceived to be weak and lacking transparency.

Regardless of the weaknesses in the management of both AMCs and concerns about transparency in the management of the RS AMC, both AMCs have seen their middle

³⁰ See in this regard the assessment report on the Albanian Associations of Local Governments by Daniel Arn, 2010

³¹ The presidency represents the board of directors of the associations and is constituted of Mayors of different municipalities and cities elected by the general assembly of the associations. In the FBiH the presidency is made up of 13 Mayors (one from each of the 10 cantons, one from the city of Sarajevo, one President and one Vice President). In the RS it is constituted of 17 members (Mayors from different parts of RS).

³² This assessment is based on interviews with a limited number of Mayors and experts.

³³ The Forums of Mayors is an informal structures which were initiated in different cantons by OSCE. It is not known to the evaluators, how active they are in other cantons apart from the canton of Una Sana.

management strengthened with the support of SIDA. The built expertise is acknowledged by ministries of both entities³⁴.

Due to the core mandate of the AMCs it is crucial that they play a key role in representing the municipalities' interest vis-à-vis the higher level government in any of SDC's municipal governance support projects. This can take place through either providing the AMCs with a specific mandate within a Swiss municipal governance support project to support its members in their advocacy work. It can also take place through engaging AMCs in very specific advocacy issues that a priority for its members.

In regard to horizontal integration, avenues would have to be sought, how to engage with the AMCs in regard to the dissemination of knowledge and experiences of (Swiss partner) municipalities.

5.6.3 Other networks to be considered in regard to vertical and horizontal integration

Apart from the AMCs there are other formal and informal networks which play an important role in regard to vertical and horizontal integration. Those often thematically specialised networks (e.g. Aquasan, Association of Water Works) have to be seen as being complementary to the AMCs. They also play a crucial role in regard to vertical integration since they develop and pool content knowledge, which can be utilised while contributing to improved legislations. They furthermore, play an important role of developing new solutions to problems and sharing knowledge and experiences among municipalities leading to replication.

5.7 Project implementation structure and role

Considerations in regard to a suitable project implementation setup have to take the context and the existing capacities into account. From a system-perspective associations of local governments would be well-placed to manage a municipal governance support project. However, the context of BiH and the current capacities of the AMCs, do not favour such a mechanism.

Since Swiss initiatives always work across the entities and aim at building bridges between them, the implementation structure has to be a non-entity based one. For the time being³⁵ it seems to be most suitable to work with a structure which foresees a Project Facilitation Unit, managed by some organisation which is respected by both entities.

The PFU would have to play its role as a facilitator leaving project implementation to the municipalities.

Apart from that, the PFU would also have a role to play in regard to capacity development. While formal class room capacity development would be the responsibility of respective service providers, the role of the PFU would be to provide on-the-job capacity development support³⁶. Specific content knowledge is therefore required for an organisation managing a PFU.

As mentioned above advocacy for issues related to municipal governance is the responsibility of the municipalities and their associations. The role of a PFU would be to support municipalities and the AMCs in their advocacy work. A direct engagement of the PFU in advocacy based on a self-given mandate should be avoided.

³⁴ Mayors were not asked about their view on the capacity of the middle management. Neither has anybody of them pointed out the changes at this level.

³⁵ In the future the involvement of the two AMCs as managers of such initiatives should be kept in mind.

³⁶ Municipalities expressed that they have benefited the most from on-the-job training and less from formal trainings they have attended.

The PFU should not act as a donor vis-à-vis the municipalities it supports. Avenues should be sought to transfer grants for capacity and municipal service development directly from SDC to the municipalities. In this regard it is also important to make a clear division between project management and project steering. The strategic steering and the final decision making should be clearly with the donor. PFU, participating actors and resource persons may have an advisory function.

5.8 Further considerations

Successful decentralisation and improving municipal governance takes time³⁷. In the complex and instable context of BiH it will even take longer. Engaging in this topic requires therefore a long-term perspective.

SDC has developed remarkable assets in regard to decentralisation and local governance in BiH, which should be further utilised. Assets are among others the following:

- Municipalities which have been engaged with SDC local governance projects.
- Individuals (Ministers, Mayors, councillors, municipal and utility staff, CSO members, etc.) who have been impacted by SDC local governance projects and have become “change agents”.
- Organisations mandated with managing SDC local governance projects.

New SDC projects need to be planned taking existing and planned initiatives of other donors into account. Avenues should not only be sought for better coordination but even for engaging in joint-projects.

³⁷ According to a study of OECD successful decentralization takes at least ten to fifteen years in the context of financial and political stability (OECD, 2004)

Terms of Reference

1 Introduction and Background

1.1 Context

The basic environmental legislation in Bosnia and Herzegovina (BiH) was adopted under the guidance of EU. In recent years, new laws transferred the major part of responsibilities in the Water & Environmental Sanitation (WES) sector to the cantonal and municipal levels. Municipal and cantonal institutions were not able to timely respond to the newly-assigned obligations. In this way a “vacuum” was created in BiH’s WES sector.

The current regulatory set-up is still not complete. Water and waste management laws that should define authorities and obligations in financing the construction of new as well as the maintenance of existing water facilities or waste disposals do not exist in most of the cantons. Therefore, respective bylaws and regulations on municipal level cannot be adopted and implemented. The situation in the Republic of Srpska (RS) is additionally complicated due to the ongoing process of transferring the ownership over utilities from the entity level to municipalities - which includes also a transfer of accumulated debts.

Acquiring loan capital is almost the only option to obtain necessary funds for water and infrastructure investments in poorer municipalities. The sector is today dominated by international multilateral (EIB, EBRD, World Bank) or bilateral lending schemes (KfW) in combination with grants mainly from SECO, SDC and SIDA.

The need for governance guidance in the WES sector is obvious at all levels. Sector institutions have reasonable engineering know-how, but lack adequate modern institutional, managerial and corporate governance expertise, especially at lower levels. Deficient quality of water supply services is impaired by inefficient performance of municipal water companies and self-provisioning of some population groups.

Regional cooperation within is limited and respective mechanisms are still weak; though the interest for exchange is on the increase taking into account the existing challenges. Political disputes between the two entities – RS and the Federation of BiH (FBiH) – remain considerable obstacles for the regional cooperation.

Demands of citizens regarding the improvement of service delivery are directed to relevant municipal institutions, but they lack of capacities to adequately respond. Civil society involvement is generally still dormant, and the mechanisms that would bring about transparency / accountability towards citizens are weak. Similarly citizen’s readiness to take certain responsibilities to secure efficient and effective public services is still low.

The deficiencies in the WES sector as described above are quite similarly reflected in other sectors under municipal and cantonal responsibility as well as in public administration. Hence practical improvements in the WES sector are expected to produce demonstration effects to other sectors. In this line, the SDC supported Municipal Water & Environmental Development Project (GOV-WADE) can be seen as a flagship endeavor in tackling municipal infrastructure and service topics under a Local Governance (LGov) lens; furthermore, it contains the potential to contribute to reconciliation and to political / economical stability.

1.2 Project History and Process

SDC’s engagement in BiH’s water sector started in 1997 with emergency assistance to municipal waterworks in the Una Sana Canton / FBiH; it was extended later to North-Western municipalities of RS. Investments into production and distribution facilities were soon followed by institutional inputs for improving billing / accounting systems and for proper management of municipal water utilities. The concept of offering advisory services together with small investment projects (especially involving the key stakeholders) proved to be highly effective. Since 2002, the support activities evolved into the Una River

Basin Development Program, on water management and environmental protection, implemented by teams of the Swiss consulting company IBG, based in Bihac / FBiH and Prijedor / RS. After completion in 2005, the project team in Prijedor was absorbed by the RS Water Agency, while for the Bihac team neither the entity nor the cantonal authorities were receptive for a similar decision.

From January to August 2006, SDC's support was continued for a Bridging Phase towards a new governance project in the same geographical area; to be implemented by the former Bihac project team. Efforts to enhance practices of good governance in the water sector were addressed at municipal level, while ensuring effective linkages to regulatory frameworks. Partner municipalities were selected, cooperation mechanisms were negotiated and surveys on identifying specific needs of the municipal water services were conducted. A new NGO – “Una-Sana” – was established to facilitate the project's implementation.

GOV-WADE was launched in September 2006 with an Inception Phase (Phase 1) of 4 months. During that period, six selected municipalities developed strategic development plans in the WES sector (MSWDPs).

The Implementation Phase (Phase 2), started in January 2007, with the adoption of Municipal Development Plans for WES by the six core municipalities. In 2008, the project expanded to three new core municipalities and reinforced cooperation with the Government of the Una Sana Canton. 48 infrastructural projects were facilitated by Una-Sana and implemented by the nine core municipalities up to 2009. They were supported in improving their WES legislations, and in introduction schemes of Caring and Integrated Management (CIM) for their water utilities. Respective capacities of municipal administrations and civil society were strengthened. Citizens were mobilized for WES activities in their villages, through a media campaign in cooperation with an association of environmental NGOs “EKUS”. The Una River Basin Platform, gathering 17 municipalities, enhanced inter-entity and inter-municipal cooperation in natural resources management and facilitated capacity building in issues proposed by its members.

GOV-WADE Objectives and Expected Outcomes in the Implementation Phase (2007-2009)

General Objective: To increase capacities of local authorities and civil society in improving practice in governance and management at municipal levels, particularly in water and environmental sectors.

Outcomes:

- A. Supporting the introduction of models and mechanisms of sustainable water and environmental management based on principles of good governance and quality of services (through institutional and/or organizational development in pilot municipalities).
- B. Strengthening the capacity of local civil society actors to engage in the sector.
- C. Improving inter-municipal cooperation in water and environmental sanitation for the sake of water resources management in Una Sana region.
- D. Enabling the Project Facilitation Unit (PFU) – “Una-Sana” – for facilitating the process at municipal level and for supporting service providers to become effective (through capacity building).

An External Review, in May 2009, confirmed that GOV-WADE created strong ownership for proper WES services in the partner municipalities; that there exists a good potential for sustainability and replication of the established practices. Applied systemic sector approach resulted in numerous infrastructural and institutional improvements (combination of hardware with management software). Inter-municipal and inter-entity cooperation, as well as raised public awareness for WES issues were pointed out among major project achievements. Una-Sana was regarded as a professional and well cross linked Project Facilitation Unit (PFU).

The Final Phase (Phase 3) started in January 2010, focusing on sustainability of the project achievements, as well as of the PFU. The overall goal of GOV-WADE is more focused under a clear LGov lens; municipalities, cantons, entities and state are practicing good governance principles and

are providing quality services, particularly in WES – using principles of an Integrated Water Resources Management (IWRM). The NGO “Una-Sana” was transformed into a consulting company – “Una Consulting” – in order to better respond to WES market needs beyond the project completion. The Swiss Resource Centre, SKAT, provides coaching to Una Consulting. The main action lines are: A) Consolidation of implementing capacities for municipal infrastructure in six core municipalities (of both entities), based on respective municipal strategies; B) Establishment of a nation-wide platform for professionals and authorities (municipal utilities) in the WES sector (Aquasan Network); C) Improved cooperation in WES between the Una Sana Canton and its municipalities, based on the development and implementation of respective legislations; D) Consolidation of Una Consulting as a recognized professional consultancy organization in the WES sector, for both the follow up of hardware endeavors, as well as the establishment of proper utility management systems. The co-financing (partially as first on-budget support experiences) of infrastructural improvements was completed in 2011; the main focus in 2012 is on the expansion of the Aquasan Network.

Since 2012, a new component on the Introduction into Decentralized Wastewater Management (DECENT) was added to the GOW-WADE project, financed jointly by SDC, the Slovenian Ministry of Foreign Affairs and three municipalities of the Una Sana Canton. A new technology for wastewater treatment through the construction of wetlands and corresponding sewers network is introduced and adopted, again combined with proper management schemes (LGov). Thus, *Phase 3 has been extended* up to end of 2013.

GOV-WADE is a recognized project in BiH which produces very positive results in the application of LGov schemes at all levels, mainly in the cooperation between municipalities and entities (building bridges across ethnic barriers), as well as between local governmental institutions and civil society organizations. The project can be seen as a platform for learning and knowledge generating on effective and efficient municipal service delivery, where citizens play a pro-active role in the design, the implementation and the monitoring of respective actions. The network of the involved actors (partner municipalities and civil society organizations) created a space of mutual trust, which is important for trials on new LGov approaches and mechanisms, e.g. like on-budget support based on transparent conditions (which has already been practiced in some core municipalities), or achieving the “right mixture” between hardware and software in municipal services’ management. GOV-WADE also has lead to opportunities for co-financings by other donors; the involved municipalities unlocked an estimated 40 million Euros for further investments based on transparent strategic plans, and the proven improved management capacities.

It can be considered that GOV-WADE has set an adequate ground for the designing of new LGov projects in accordance with the future Swiss Cooperation Strategy (CS) 2013-2016 to BiH. The external review is expected to look specifically into respective opportunities, and to validate the existing strategic perspective (approaches).

2 External Review 2012 of GOV-WADE

2.1 Objectives and Scope of the Review

The external review shall primarily serve informed decision making on future opportunities of “systemic Decentralisation and LGov (DLG) actions” in the frame of the future CS, and build on a self assessment of the project team.

The conclusions and recommendations of the review will represent the key elements for the strategic orientation and realistic planning of one or two new DLG projects, with or without an explicit sector focus, within SDC’s portfolio in BiH from 2013 onwards.

Specific lines of the external review:

1. General (brief) appraisal of relevance, outcomes and outputs, which will be systematized based on a self-assessment conducted by the GOV-WADE team prior to the external review.
2. General (brief) appraisal of Una Consulting's role and performance as implementer and facilitator of the project, I cooperation with SKAT as external coaching actor. These matters will also be prepared by the GOV-WADE team in a self-assessment step prior to the external review.
3. Propose strategic elements for decision making on future “more systemic” DLG endeavors beyond WES, based on the major achievements and lessons produced by GOV-WADE in BiH:
 - **Sector focus yes or no:** Identify successful approaches, activities and products that should be sustained, disseminated and replicated in future DLG projects building on the GOV-WADE experience, in the same geographic area of BiH, or in other regions of BiH. The review shall particularly reflect on the advantages and disadvantages of a sector based approach to promote local governance reforms (as has chosen GOV-WADE), compared to an approach which would be supporting local governance reforms with a wider choice of sectors, or without a specific sector focus;
 - **Moving towards a more on system financial support for municipalities:** Identify tracks for new approaches towards “more systemic” DLG interventions, which build on the already achieved results by GOV-WADE. The reviewers shall particularly focus on the question of how Swiss financial support could further align with and have a positive reform leverage on existing municipal funding mechanisms and fiscal decentralisation, considering a even more systematic municipal budget support including certain governance and/or performance related conditionality's (building on the pilot experience of GOV-WADE) or suitable topping ups of central to local government transfers, rather than the continuation/reestablishment of competitive grant funds;
 - **Focus on executive, or executive and legislative?** The major focus of GOV-WADE has been on strengthening the executive, in appreciation of their limited capacities and financial means. Acknowledging that mayors (and with them the executive) has a very strong position in BiH, also due to their upward accountability towards political parties, reviewers shall reflect if in the future this strong focus on strengthening the executive shall be maintained, or to a larger extent be complemented by support to the municipal legislative (assemblies), too; respective options shall be proposed;
 - **Choice of eligible municipalities, and the role of the associations (vertical dimension):** Building on the above conclusions, the reviewers shall reflect on options on the choice of eligible municipalities, taking past municipal support programs into account, as well as the current and possible future supportive role of the two municipal associations existing in BiH in both up-scaling municipal reform results, and advocate for DLG reforms on central government level;
 - **Project implementation structures and role:** The review shall reflect on how a sound division of labor between municipalities and similar project facilitation units could look like in the future, opting for a facilitator role of the project team to the largest extent possible, possibly combined with an advocacy component for the introduction of incentives for positive governance reforms, and possible sanctions if and when municipalities do not comply.

2.2 Methodology of the Review

The external Review will be based on SDC evaluation standards and general evaluation principles. A fair knowledge and understanding of GOV-WADE's context as well as of systemic LGD development will be prerequisites to make a realistic appraisal of achievements and to elaborate future oriented recommendations. The external consultants will have to keep this in mind when they follow up the method as proposed below:

- Analysis of relevant planning documents of the project, LGD reference documents of SDC, LGD reference documents (relevant policies) of selected national, regional and local institutions (partners).
- Analysis of LGD reference documents which have been elaborated in the frame of defining the new Swiss CS 2013-2016 to BiH.
- Analysis of information from GOV-WADE's M&E system, and from the self-assessment conducted prior to the external review.
- Structured interviews with representatives of partner and non-partner municipalities and respective utilities, with representatives of civil society organizations, citizens and local NGOs, with key persons of cantonal, entities' and state governments, as well as with representatives of other donor agencies which are active in BiH's LGD development.
- Structured interviews with representatives of SDC, of the Project Facilitation Unit (PFU) of Una Consulting, with the project coach of SKAT and with members of the project's steering board.
- Verification of key findings and preliminary assessments as well as presentation of conclusions and elements for decision making and planning of future LGD actions of SDC in BiH, during a one-day workshop at the end of the assessments in the field.

2.3 Deliverables of the Review

The evaluation team will deliver the following:

- A one-day workshop at the end of the field mission with the aim to: a) discuss / verify the findings, the conclusions and recommendations with all key project stakeholder groups; and b) present / discuss possible scenarios and projections on the future approaches in SDC's LGD domain (and portfolio), with SCO staff, SDC's regional LGD advisor and with local experts.
- A draft external review report of maximum 20 pages, Arial 11 (plus annexes) on the findings and recommendations, featuring a specific chapter on projections and scenarios for new LGD projects to be supported by SDC. The report shall be written in English and submitted to SDC in electronic form. The report will be structured and formatted in accordance to the document "SDC External Evaluations – Formatting Instructions".
- A final external review report (under the same conditions as for the draft report).

2.4 Review Team

The evaluation team will be composed by:

An international consultant, with good knowledge of the general and the specific LGD context in BiH, with profound and up dated skills on LGD and related topics (familiar with references used within SDC's DLG network), with a strong analytical ability to produce practice oriented projections for "systemic LGD" development within SDC's program in BiH, as well as with good writing skills in English (to prepare a report in a easily understandable language).

A local consultant, with good knowledge of systemic LGD in BiH (horizontal and vertical dimensions), with good knowledge of the municipal infrastructure and service sector but also of decentralization matters, with strong analytical ability to produce practice oriented projections on the national LGD development, as well as with good writing skills in English.

If necessary, additional (part time) national expertise in the WES sector can be sub-contracted.

The team will be complemented by local assistant for logistics and translations, mainly during the visits to the partner municipalities.

2.5 Proposed Review Plan

The mandate will have to be carried out between October and December 2012 in accordance with the timetable below.

Activities	Dates	Duration
Preparation phase		
Preparation for the review / briefings with SDC Berne, consultations with SDC BiH / reading of reference documents / interview with project coach at SKAT	Weeks 44 and 45	4 days
Mission		
Travel to and from BiH	Week 46	2 days
Formation of evaluation team, familiarization with the general situation in B&H and GOV-WADE; initial briefing in Bihac with SDC BiH and Una Consulting	Week 46	1 day
Revision of project documentation and reports / interviews with key stakeholders / Visits to cooperating municipalities	Week 47	7 days
Systematization of findings / verification and discussion in a one day workshop	Week 48	2 days
Writing of report / final discussions and consultations	Week 48	1 day
Finalization phase		
Writing and submission of the draft report to SDC	Week 49	3 days
Systematization of feed-backs and writing of the final report	Week 50	1 day
Final De-briefing at Berne	Week 51	1 day
Total		22 days

2.6 Roles and Responsibilities

Evaluation Team:

- Preparation and realization of the review in accordance with the present ToR;
- Systematization of all information collected, and regular communication on intermediate results, findings and conclusions with the SDC BiH contact persons;
- Organization and moderation of the workshop at the end of the review mission;
- Elaboration, consultation and timely delivery of the draft and the final review report.

Evaluation Team Leader:

- Responsible for the coordination of the whole review program; for the coordination of the evaluation team (including for sub-contracting the other members of the team);
- Responsible for the quality of the review (including the designing of the detailed review concept, the definition of relevant key questions as well as the delivery of well processed findings and recommendations);
- Responsible for a smooth and efficient communication with all parties involved or addressed in the course of the review;

Programme of Review Mission

14.11. – 29.11.2012	
Matthias Boss (MB) –Team leader & Snezana Misic-Mihajlovic (SM) – co-reviewer	
Date	Content
Wednesday 14.11.	Sarajevo
14:20	MB Arrival to Sarajevo Airport OS 757 - Transfer to hotel
15:30	Internal meeting of the review team
Thursday 15.11.	Sarajevo – briefing / presentation / meetings
08:30	Briefing in SCO
10:30	Presentation of GOV-WADE internal review and info package by Una Consulting in SCO
14:30	Meeting with FBiH Association of Municipalities & Cities
18:00	Internal meeting of review team
Friday 16.11.	Sarajevo - meetings
08:30	Meeting with FBiH Ministry of Agriculture, Water Management and Forestry
10:30	Meeting with UNDP - ILDP Integrated Local Development Project
12:00	Meeting with FBiH Ministry of Justice
15:30	Meeting with GIZ ORF
Saturday 17.11.	Sarajevo / Dobo
08:00	Internal work
Sunday 18.11.	Sarajevo - Bihac
	Travel from Sarajevo to Bihac – hotel Opal
Monday 19.11.	Bihac – meetings
08:30	Meeting with Una Consulting team
14:00	Meeting with Una-Sana Canton Ministry of Agriculture, Water Management and Forestry and Ministry for Spatial Planning, Construction and Protection of Environment
15:30	Meeting with NGO EKUS
17:00	Meeting with members of GOV-WADE PRB
Tuesday 20.11.	Bosanska Krupa & Bosanski Petrovac - meetings
09:30	Meeting with Bosanska Krupa Municipality and utility
13:30	Meeting with Bosanski Petrovac Municipality and utility
18:00	Internal meeting of review team
Wednesday 21.11.	Bihac and Cazin - meetings
08:30	Meeting with Una-Sana Canton Ministry of Justice and Governance
11:30	Meeting with Cazin Municipality, utility and MZs (Stijena, Centar and Gornja Koprivna)

Thursday 22.11.	Novi Grad & Prijedor - meetings - Banjaluka
09:00	Meeting with Novi Grad Municipality and Utility
12:00	Meeting with Prijedor Municipality and Utility
16:00	Departure to Banjaluka
Friday 23.11.	Banjaluka – meetings
08:30	Meeting with RS Ministry of Governance and Local Self-Governance and RS Ministry of Finance
10:30	
12:30	Meeting with RS Ministry of Agriculture, Forestry Water and Management
14:30	Meeting with RS Association of Municipalities and Cities
18:00	Meeting with EDA
	SM travel from Banjaluka to Doboj
Saturday 24.11.	Banjaluka
08:35	MB Departure from Banjaluka airport JA 306
Sunday 25.11.	Sarajevo
20:45	MBo Arrival to Sarajevo Airport JA 307 - Transfer to hotel
Monday 26.11.	Sarajevo – internal work
10:00	Preparation of the review team for the workshop
18:00	Meeting with GOV-WADE Coach
Tuesday 27.11.	Sarajevo - workshop
10:00	Review workshop
15:00	Debriefing
Wednesday 28.11.	Sarajevo - meetings
09:00	Meeting with OSF
10:30	Meeting with SIDA
14:00	Meeting with FBiH Ministry of Finance
16:00	Internal work of the Review Team
Thursday 29.11.	Sarajevo
09:00	Internal work of the Review Team
11:00	Meeting with Aarhus Center Sarajevo
12:00	Departure from Sarajevo

List of Actors Interviewed / Interacted with

No	Institution	Persons met	Positions
SDC – SCO BiH			
1	SDC – SCO BiH	Joseph GUNTERN	Country Director
2	SDC – SCO BiH	Srećko BAJIĆ	Liaison Officer
3	SDC – SCO BiH	Alma Zukorlić	National Programme Officer
GOV-WADE project team			
4	Una Consulting / GOV-WADE	Sandi Zulić	Director
5	Una Consulting / GOV-WADE	Sanela Arnautović	Finance & Administration Officer
6	Una Consulting / GOV-WADE	Aida Jusufhodžić	Project Engineer
7	Una Consulting / GOV-WADE	Emilija Mažar	Project Assistant
8	Una Consulting / GOV-WADE	Marjan Dujmović	Project engineer
Ministries			
9	FBIH Ministry of Agriculture, Water Management and Forestry	Hazima HADŽOVIĆ	Assistant to Minister of Water Management
10	FBIH Ministry of Agriculture, Water Management and Forestry	Amer HUSREMOVIĆ	Head of Department of Development Projects in Water Sector
11	FBIH Ministry of Agriculture, Water Management and Forestry	Alma IMAMOVIĆ	Expert Advisor in the Water Management Sector
12	FBIH Ministry of Justice	Ivan MATEŠIĆ	Assistant Minister
13	FBIH Ministry of Finance	Samir BAKIĆ	Assistan Minister for Debt Management
14	FBIH Ministry of Finance	Hajrudin HADŽIMEHANOVIĆ	Assistant Minister for Fiscal Policy
15	FBIH Ministry of Finance	Nermina EMINOVIĆ	Officer for Fiscal Policy
16	RS Ministry of Governance and Local Self-Governance	Milanka ŠOPIN	Assistant Minister
17	RS Ministry of Finance	Nada GRBIĆ	Head of Department
18	RS Ministry of Agriculture, Forestry and Water Management	Mihajlo STEVANOVIĆ	Assistant Minister
19	RS Ministry of Agriculture, Forestry and Water Management	Nenad ĐUKIĆ	Officer in charge of Water Management
20	Water Agency for Sava River Basin, affiliated to the RS Ministry of Agriculture, Forestry and Water Management	Marija LIČANIN	Senior Associate for Economic and Financial Affairs
21	Ministry of Physical Planning, Construction and Environmental Protection of Una-Sana Canton	Sinha KURBEGOVIĆ	Minister
22	Ministry of Physical Planning, Construction and Environmental Protection of Una-Sana Canton	Mersija TALIĆ	Head of Department for Environmental Protection and Communal Affairs
23	Ministry of Agriculture, Water Management and Forestry of Una-Sana Canton	Senad TUTIĆ	Assistant Minister

24	Ministry of Governance and Justice, Una-Sana Canton	Andrej MAMONTOV	Minister
25	Ministry of Governance and Justice, Una-Sana Canton	Vahid ĆORALIĆ	Head of the Sector of Justice, Execution of Alternative Criminal Sanctions, Strategic Planning and Coordination of Donor Assistance
Municipalities			
26	Bosanska Krupa Municipality	Armin HALITOVIĆ	Mayor
	Bosanska Krupa Municipality	Esmā HERGIĆ	Officer for Environmental Protection in the Office for Physical Planning, Construction and Environmental Protection / GOV-WADE Project Coordinator
27	Bosanska Krupa Municipality	Ajša KADIRIĆ	Head of Office for Physical Planning, Construction and Environmental Protection
28	Bosanska Krupa Municipality	Zlatan ŠERTOVIĆ	Head of Office for Housing-Communal Issues and Infrastructure
29	Bosanska Krupa Municipality	Nijaz TATAREVIĆ	Director of Public Communal Utility / PRB member of GOV-WADE
30	Bosanska Krupa Municipality	Merdžana REDŽIĆ	Technical Director of Public Communal Utility
31	Bosanski Petrovac Municipality	Zlatko HUJIĆ	Mayor
32	Bosanski Petrovac Municipality	Senada MEHDIN	Mayor's Assistant in charge of Finances and Accounting / Focal point for GOV-WADE
33	Bosanski Petrovac Municipality	Esmir BRKOVIĆ	Municipal Secretary
34	Bosanski Petrovac Municipality	Gordana MILOŠEVIĆ	Acting Director of the public communal utility
35	Bosanski Petrovac Municipality	Huse JUKIĆ	Technical Director in the public communal utility
36	Cazin Municipality	Nermin OGREŠEVIĆ	Mayor
37	Cazin Municipality	Suad ROŠIĆ	Mayor's Advisor; Coordinator of GOV-WADE project team
38	Cazin Municipality	Haris ĆORALIĆ	President of Municipal Council
39	Cazin Municipality	Ibrahim TATAREVIĆ	Director of water utility "Vodovod"; Member of GOV-WADE project team
40	Cazin Municipality	Ibrahim MUJAKIĆ	Officer for Water and Environmental Protection
41	Cazin Municipality	Begzada SILIĆ	Advisor for Local Development
42	Cazin Municipality	Amir MULALIĆ	Director of Development Agency
43	Cazin Municipality	Šerif KALJIKOVIĆ	Representative of MZ Stijena
44	Cazin Municipality	Mirsad KALJIKOVIĆ	President of MZ Stijena
45	Cazin Municipality	Hamdija LJUBIJANKIĆ	President of MZ Cazin
46	Novi Grad Municipality	Snježana RAJILIĆ	Mayor
47	Novi Grad Municipality	Mladen GOLJEVIĆ	Officer for Water Management and Water Resources in the Dept of Urban Planning
48	Novi Grad Municipality	Mladen ŠICAR	Director of public water utility
49	Novi Grad Municipality	Danko VOJINOVIĆ	Civil engineer at the public water utility
50	Novi Grad Municipality	Danka GRAONIĆ	Deputy Head of Dept of Urban Planning
51	Prijedor Municipality	Milenko ĐAKOVIĆ	Deputy Mayor
52	Prijedor Municipality	Stanko MARKOVIĆ	Coordinator of GOV-WADE project in

			Prijedor Mun / Dept of Housing-Communal Issues
53	Prijedor Municipality	Azra PAŠALIĆ	President of Municipal Council
54	Prijedor Municipality	Mirjana OSTOJIĆ	Member of GOV-WADE project team in Prijedor Mun.
55	Prijedor Municipality	Rajka ZDJELAR	Member of GOV-WADE project team / Officer for housing-communal issues
56	Prijedor Municipality	Zoran BULIĆ	Manager of the landfill / solid waste unit in the communal utility
57	Prijedor Municipality	Azra BOROVIČANIN	Technical Director of the water utility
58	Prijedor Municipality	Miroslav GLUŠAČ	Member of GOV-WADE project team/Manager of development unit in the water utility
59	Prijedor Municipality	Snežana VRANJEŠ	Officer in charge of environmental protection in the Dept of Housing-Communal Issues
60	Prijedor Municipality	Sead SULJANOVIĆ	Member of GOV-WADE project team/ Head of Office for Development and Ecology in the communal utility
61	Prijedor Municipality	Tihomir TIMARAC	Member of GOV-WADE project team on behalf of the public utility for construction of the city
Associations of Municipalities and Cities			
62	FBIH Association of Municipalities and Cities	Amir KUPUSIJA	PR officer
63	FBIH Association of Municipalities and Cities	Dženita KOVAČEVIĆ	Officer in charge of financial issues
64	RS Association of Municipalities and Cities	Slavica ROKVIĆ	Legal Advisor
65	RS Association of Municipalities and Cities	Dijana ĆORIĆ	Financial Advisor
Non-governmental organizations			
66	NGO EKUS	Vildana ALIBABIĆ	Director
67	EDA	Aleksandar DRAGANIĆ	Expert for Policy Development
GOV-WADE PRB members			
68	GOV-WADE PRB	Mujesira SADIKOVIĆ	PRB member
69	GOV-WADE PRB	Milan SMILJANIĆ	PRB member
International organizations / Donors			
70	UNDP	Marina DIMOVA	ILDLP Project Manager
71	GIZ	Christophe di MARCO	ORF MMS Manager
72	Open Society Fund BiH	Dobriša GOVEDARICA	Director
73	Sida	Mario Vignjević	National Programme Officer
74	SKAT	Karl WEHRLE	GOV-WADE coach
75	OSCE / Aarhus Centre	Alma MIRVIĆ	National Planning & Reporting Officer

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3	SDC – SCO BiH	Joseph GUNTERN	Country Director
4	SDC – SCO BiH	Srećko BAJIĆ	Liaison Officer
5	SDC – SCO BiH	Alma ZUKORLIĆ	National Program Officer
6	Una-Consulting	Sandi ZULIĆ	Director
7	Una-Consulting	Sanela ARNAUTOVIĆ	Finance & Administration Officer
8	Una-Consulting	Aida JUSUFHODŽIĆ	Project Engineer
9	SKAT	Karl WEHRLE	GOV-WADE coach
10	FBiH Association of Municipalities and Cities	Vesna TRAVLJANIN	Director
11	FBiH Association of Municipalities and Cities	Amir KUPUSIJA	Project manager
12	RS Association of Municipalities and Cities	Brano JOVIČIĆ	Secretary General
13	RS Association of Municipalities and Cities	Predrag PAJIĆ	Project manager
14	UNDP-ILD	Adela POZDER-ČENGIĆ	Governance Cluster Manager
15	SIDA	Katica HAJRULHOVIĆ	Program manager
16	GIZ – ORF / Municipal services	Christophe di MARCO	Program manager
17	GIZ – SLS	Edgar SCHROEDER	Project manager
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19	Review Team	Matthias BOSS	Consultant
20	Interpreter	Senada HADŽAGIĆ	

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